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Keeping Bad Things From Happening to Good Charities

By Andrew Dorantes

THE SENATE FINANCE COMMITTEE held hearings in 2004 to discuss proposed ideas regarding charitable governance and increased regulations for nonprofit organizations. The committee's discussion draft, titled "Charity Oversight and Reform: Keeping Bad Things from Happening to Good Charities," can be linked to at www.CMAonline.org/mrc. The committee invited various constituents, including the Evangelical Council for Financial Accountability (ECFA) and the American Institute for Certified Public Accountants (AICPA), to a roundtable discussion on July 22, 2004 (you can link to the full report at www.CMAonline.org/mrc).

At the committee's request, The Independent Sector, a coalition of nonprofit organizations, formed a panel to make recommendations. Among its preliminary recommendations were:

■ **Form 990 changes.** The CEO and CFO would be required to sign Form 990, which would be required to be filed electronically.

■ **Financial Audits and Reviews.** Recommendations were made requiring audits of organizations with revenue above a certain amount (the exact threshold is yet to be determined). Furthermore, audits would need to be filed along with Form 990.

Twenty-one preliminary recommendations were issued (for more detail, visit www.nonprofitpanel.org). Interested parties are continuing to provide comment to the panel.

It's apparent in this environment of increased public concern that there's likely to be a mandate for greater transparency in the financial reporting process and oversight by the organization's governing body.

We suggest that nonprofit organizations perform an assessment of their operations in light of these recommendations and actively monitor these developments. In the end, these actions strive to protect two of the greatest assets of any nonprofit organization—its reputation and the public trust.

Health Savings Accounts (HSAs)

By Mark Yoder

THE RISING COST OF HEALTH CARE is a concern to many employers. Preferred Provider Organization (PPO) or Point-of-Service (POS) plans have become cost prohibitive for some. HSA plans, authorized by Congress in 2003, may provide some opportunities, including unique tax features (employer contributions to the plan, growth in the account, and qualified withdrawals from the account are all tax free). HSA plans are linked to high-deductible medical coverage.

Employers and employees can make contributions to accounts. Any unspent funds are carried forward from year to year and remain with employees leaving an organization. The cost will vary, depending on a variety of factors, including the amount of the deductible. HSA plans will typically equal or exceed the cost of Health Maintenance Organization (HMO) plans, and will usually be less than PPO or POS plans.

The HSA plans will most likely appeal to healthy families who are willing to risk large out-of-pocket expenses in return for lower premiums, and to those families who aren't comfortable with the limited choice of providers and services provided by HMOs.

Additional information may be found at <http://www.healthsavingsaccount.biz/>. Additionally, ECFA has produced a booklet entitled "Reimbursing Employee Medical Expenses" which contains useful information on HSA and other medical plans. Contact ECFA at www.ecfa.org.



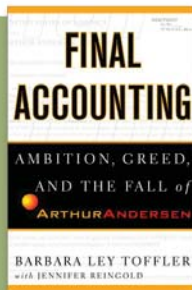
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A Final Accounting

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Andrew Dorantes

Financial Management Section Resource Commission. For more resources on financial management, go to CMA's Management Resource Center (www.CMAonline.org/mrc). Email or call the volunteer members of this Section Resource Commission, or contact:

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